

Message Text

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INFO AMEMBASSY BUCHAREST
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TAGS: BTIO, YO, RO

SUBJECT: DJERDAP II HYDRO POWER PROJECT

REF: BELGRADE 8142 (NOTAL)

1. ALLIS CHALMERS' REPRESENTATIVES DR. ARTHUR A. WASSERMAN (REGIONAL VICE PRESIDENT, EASTERN EUROPE), NICHOLAS W. SEMENIAK (AREA REPRESENTATIVE, EASTERN EUROPEAN OPERATIONS) AND A.D. SPIERS (MANAGER OF SALES) CALLED AT DEPARTMENT FEBRUARY 9 TO PROVIDE CURRENT STATUS OF BIDDING ON DJERDAP II PROJECT AND TO SOLICIT DEPARTMENT/EMBASSY'S ASSISTANCE IN SUPPORTING US/BELGIAN CONSORTIUM'S BID.

2. WASSERMAN ADVISED THAT BIDDING ON PROJECT HAS NARROWED
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TO ONLY TWO COMPETITORS: CONSORTIUM OF ALLIS-CHALMERS, WESTINGHOUSE AND A.C.E.C. (BELGIUM); AND TEHNOPROMEKSPORT (USSR). FRENCH FIRM OF ALSTHOM, WHICH HAD BEEN INCLUDED IN "SHORT LIST", NO LONGER IN RUNNING. THE DECISION BY ALLIS-CHALMERS-WESTINGHOUSE GROUP TO BRING A.C.E.C. INTO CONSORTIUM BASED ON A.C.E.C.'S ALREADY-ARRANGED COUNTER-TRADE

OFFER TO PURCHASE COAL CARS FROM SERBIA AT 100 PERCENT OF IMPORT VALUE OF DJERDAP II PROJECT. FURTHERMORE, CONSORTIUM HAS ARRANGED TO EMPLOY TURBINE TECHNOLOGY FROM FORMER FRG BIDDER, VOITH, SINCE YUGOSLAVS HAVE INDICATED

PREFERENCE FOR THIS TECHNOLOGY. (FULL DESCRIPTION OF THIS COMPLICATED ARRANGEMENT, PREPARED BY ALLIS-CHALMERS, POUCHED FEBRUARY 10 TO BELGRADE FOR EVANS.)

3. WASSERMAN CLAIMED THAT EXIMBANK FINANCING, COUPLED WITH COUNTER-TRADE OFFER, MAKES CONSORTIUM BID VERY COMPETITIVE WITH SOVIETS'. AS PRESENTED BY WASSERMAN AND OUTLINED IN POUCHED PAPER, EXIM PREPARED TO SUPPORT BID WITH 85 PERCENT DIRECT LOAN FOR US GOODS AND SERVICES AT INTEREST RATE NOT EXCEEDING 8.5 PERCENT. (SEE COMMENT IN PARA SIX.)

4. WASSERMAN INDICATED THAT SOVIETS AND CONSORTIUM ARE EXPECTED TO SUBMIT FINAL BIDS TO INVEST-IMPORT ON FEBRUARY 28, 1978. HE THEREFORE EXPECTS TO BE IN BELGRADE AT THIS TIME AND WOULD APPRECIATE OPPORTUNITY TO CALL ON AMBASSADOR ON FEBRUARY 27 TO PROVIDE UP-DATE AND TO ASK THAT EMBASSY DO WHATEVER IT CAN TO SUPPORT CONSORTIUM'S BID. WASSERMAN INTENDS TO TELEX AMBASSADOR DIRECTLY TO REQUEST APPOINTMENT.

5. WASSERMAN, SEMENIAK AND SPIERS ALSO CALLED ON AMBASSADOR BELOVSKI FEBRUARY 9 AND OUTLINED CONSORTIUM'S BID. LIMITED OFFICIAL USE

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BELOVSKI REPORTEDLY PROMISED TO DO HIS BEST TO SUPPORT THIS OFFER.

6. COMMENT. SUBSEQUENT CHECK WITH EXIM REVEALS THAT INFORMATION ON FINANCING TERMS DOES NOT ACCURATELY REFLECT EXIM POSITION AND THAT, FURTHERMORE, THERE IS EVEN DISAGREEMENT WITHIN ALLIS CHALMERS (BETWEEN SALES AND FINANCIAL DEPARTMENTS) ON PRECISE FINANCING TERMS WHICH CONSORTIUM IS ABLE TO OFFER TO INVEST-IMPORT. WE THEREFORE URGE EMBASSY TO USE SOME CAUTION ON THIS ASPECT OF BID AND TO LEAVE DISCUSSION OF FINANCIAL PACKAGE TO CONSORTIUM. IF SITUATION HAS BEEN CLARIFIED BEFORE WASSERMAN'S VISIT TO BELGRADE, WE WILL INFORM EMBASSY.

7. FOR BUCHAREST. ALLIS-CHALMERS HAS NOT YET MADE ANY BID FOR ROMANIAN PORTION OF DJERDAP II AND HAS ASSUMED THAT SOVIETS HAVE INSIDE TRACK. WASSERMAN WAS ENCOURAGED TO CONTACT BOTH AMBASSADOR NICOLAE AND COMMERCE/BEWT TO DISCUSS OPPORTUNITIES IN ROMANIAN PLANS. EMBASSY BUCHAREST MAY ALSO WISH TO PASS ON TO WASSERMAN (TELEX 269441) ANY SUCH INFORMATION IT HAS. VANCE

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